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The effect of capital structure, institutional ownership, managerial ownership, and profitability on company value in manufacturing companies

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ABSTRACT

This study aimed to examine the effect of capital structure, institutional ownership, managerial ownership, and profitability on company value. It used independent variables such as capital structure with a proxy of Debt to Equity Ratio (DER), institutional ownership, managerial ownership, and profitability with a proxy of Return on Equity (ROE), and the dependent variable such as company value. This study uses secondary data obtained from the Indonesia Stock Exchange (IDX) for the period 2014-2017, with the population of all manufacturing companies listed on the Indonesia Stock Exchange (IDX) with the sample of manufacturing companies in the sector of various industries in the period 2014-2017. It was taken by using purposive sampling method, where they were selected based on the criteria. The data were analyzed using a multiple linear regression analysis with SPSS 23. The results indicated that the Debt to Equity Ratio (DER), institutional ownership, and managerial ownership have no significant effect on company value, while Return on Equity (ROE) has a significant effect on company value. The company's goal can be achieved if the company's performance is able to optimize the value of the company.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh struktur modal, kepemilikan institusional, kepemilikan manajerial, dan profitabilitas terhadap nilai perusahaan. Penelitian ini menggunakan variabel independen yaitu struktur modal dengan proxy Debt to Equity Ratio (DER), kepemilikan institusional, kepemilikan manajerial, dan profitabilitas dengan proxy Return on Equity (ROE), dan variabel dependen yaitu nilai perusahaan. Data sekunder yang diperoleh dari Bursa Efek Indonesia (BEI) periode 2014-2017. Dengan populasi dari seluruh perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) dengan sampel perusahaan manufaktur sektor aneka industri periode 2014-2017. Pengambilan sampel dilakukan dengan menggunakan metode purposive sampling, dimana sampel dipilih berdasarkan kriteria yang dibuat oleh peneliti. Data dianalisis dengan teknik analisis regresi linear berganda dengan menggunakan SPSS 23. Hasil penelitian ini menunjukkan bahwa Debt to Equity Ratio (DER), kepemilikan institusional, dan kepemilikan manajerial tidak memiliki pengaruh yang signifikan terhadap nilai perusahaan, sedangkan Return on Equity (ROE) memiliki pengaruh yang signifikan terhadap nilai perusahaan. Tujuan perusahaan dapat tercapai apabila kinerja perusahaan mampu mengoptimalkan nilai perusahaan.

1. INTRODUCTION

The main goal of every company is optimizing company value. Company value can be seen from financial statements because it has a very large role in the operations of a

company. Financial statements are a means of communication with parties outside the company to inform company activities for a certain period of time. In addition, information in financial statements is very important for

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various parties, for example as a basis for making decisions about investment activities and deciding funding activities within the company. Therefore, financial statements must be made correctly and accurately so that the decisions taken are always correct and get the trust from the users of the financial statements. The users of financial statements include shareholders, investors, and creditors.

Company value is one of the factors that affect investors in investing. Investors tend to invest their capital in companies that have good company value in dividend distribution and shareholder welfare. This study used manufacturing companies in the sector of various industries because in Indonesia they have experienced rapid development in recent years. The research period was 2014-2017. This period was chosen because, based on data from the Statistics Indonesia (BPS), this period the developments in Indonesia experienced fluctuations. It is interesting to find out whether the company value remains consistent amid the volatile economic development.

Research using company value as the dependent variable has been carried out by several researchers. For example, research by Kadek Apriada and Made Sadha Suardikha (2016) stated that one of the company's objectives is to maximize the shareholders' welfare. The value owned by shareholders will increase if the company value increases. This is marked by a high rate of return to investors or shareholders. According to Alfinur (2015), company value is reflected in the increase in stock prices.

The higher the stock price, the higher the value of the company. Therefore, company value is very important for describing the company's performance that can affect the prospective investors' perception. Given the importance of corporate value as one of the bases for making investment decisions, every company seeks to increase the company value by achieving better performance which requires financial managers to be able to carry out their functions in managing finances correctly and efficiently.

From the description above, there are some factors that influence the company value. The first factor is capital structure. The results of research conducted by Selly Anggraeni Haryono, Fitriany, and Eliza Fatimah (2015) show that capital structure has a positive (significant) effect on company value. These results are not in line with the results of research

conducted by Kadek Apriada and Made Sadha Suardikha (2016) which state that capital structure has no significant effect on company value. Due to the inconsistent research results, some researchers are motivated to examine further about the effect of capital structure on company value.

The second factor is institutional ownership. Research by Ni Putu Wida P. D. and I Wayan Suartana (2014), Selly Anggraeni Haryono, Fitriany and Eliza Fatimah (2015), and Kadek Apriada and Made Sadha Suardikha (2016) show that institutional ownership has a positive (significant) effect on company value. This evidence is not in line with that of research by Isnin Hariati and Yeney Widya Rihatiningtyas (2015) and Alfinur (2015) which stated that institutional ownership has no significant effect on company value. Due to the inconsistent research results, some researchers are motivated to examine further about the effect of institutional ownership on company value.

The third factor is managerial ownership. The results of research by Kadek Apriada and Made Sadha Suardikha (2016) show that managerial ownership has a positive (significant) effect on company value. These results are not in line with the results of research conducted by Ni Putu Wida P. D. and I Wayan Suartana (2014) and Alfinur (2015) which state that managerial ownership has no significant influence on company value. Due to the inconsistent research results, some researchers are motivated to examine further about the effect of managerial ownership on company value.

The fourth factor is profitability. The results of research conducted by I Nyoman Agus Swardika and I Ketut Mustanda (2017), William Sucuahi and Jay Mark Cambarian (2016), Zuhria Hasania, Sri Murni, and Yunita Mandagie (2016), and Cecilia, Syahrul Rambe, and M Zainul Bahri Torong (2015) show that profitability has a positive (significant) effect on company value. The results are not in line with the results of research conducted by Kadek Apriada and Made Sadha Suardikha (2016) which state that profitability has no significant effect on company value. Due to the inconsistent research results, some researchers are motivated to examine further about the effect of profitability on company value.

Company value can influence investors in making investment decisions. Investors will invest their capital in a company that has high

corporate value. A high corporate value can reflect that the company is healthy and good at running its business. Therefore, it is important for companies to see what factors can affect the company value.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency theory describes the relationship between the owners or shareholders of the company (principals) and the management (agents). According to Jansen and Meckling (1976), agency theory is related to the relationship between the principal and the agent. It is a cooperation contract between the principal and the agent, where the agent acts on behalf of and for the interests of the principal and has the authority to make the best decisions for the principal. And for these actions, the agent gets certain rewards.

Signaling theory is a theory that reveals that the company gives a signal to the users of financial statements, or investors. Every public company needs to provide information to investors through the issuance of financial statements because decisions that investors will make are influenced by the information quality disclosed by the company through its financial statements. The most expected information by external companies is usually good news. Investors use information contained in annual reports to carry out portfolios diversification and investment combinations while taking into account the risks that will occur. By announcing information about company's good prospects in the future (good news), the company hopes that investors will be interested in investing in the company.

Company value can be said as market value which is very closely related to stock prices. Therefore, it gives investors a view of the risks and prospects of the company in the future (Brigham & Houston 2012: 150). According to Cecilia, Syahrul Rambe, and M. Zainul Bahri Torong (2015), company value can be defined as market value because the value of the company can provide shareholder prosperity to the maximum if the company's stock price increases. The higher the stock price, the higher the prosperity of shareholders and the value of the company that shows the company's prospects in the future and reflects the assets owned by the company.

Capital structure is corporate spending carried out for long-term needs calculated by comparing between long-term liabilities and

capital (I Made Sudana 2015: 164). According to Kadek Apriada and Made Sadha Suardikha (2016), the form of permanent spending reflects the balance between long-term debt and own capital so that it is often called as capital structure. Capital structure is a financial measure among short-term debt, long-term debt, and own capital in conducting company activities. Managers must be careful about making funding decisions for companies that are related to determining the capital structure because these decisions can affect the value of the company and ultimately affect the achievement of goals to maximize the welfare of shareholders.

Ownership structure is a separation between the company owner and the company manager, where the owner is the party who invests in the company, while the manager is the person who is assigned to manage the company (I Made Sudana 2011: 11). According to Alfinur (2015), institutional ownership is the founder or majority shareholder in a company. Share ownership by parties in the form of institutions, such as banks, insurance companies, investment companies, and other institutions, can reduce the influence of other interests in the company, such as personal interests of managers and debtholders. Share ownership by institutional investors can affect company value. Companies with large institutional ownership indicate their ability to monitor management. The greater the institutional ownership, the more efficient the utilization of company assets and it is expected to be able to act as a deterrent to the waste carried out by management.

According to Alfinur (2015), managerial ownership is a condition where managers have company shares. So, in this case, the manager serves as the manager of the company and as the owner of the company or company shareholders. Managerial ownership can be seen from the percentage of company share ownership in financial statements. Managerial ownership is the proportion of shareholders from the management in running the company and corporate decision making by directors and commissioners (Diyah and Widanar, 2009).

Profitability is a measurement used to measure a company in gaining profit (Kasmir 2013: 196). According to Cecilia, Syahrul Rambe, and M. Zainul Bahri Torong (2015), profitability is a reflection of management's performance in managing the company and is one of the factors that investors refer to in

buying shares. For companies, increasing profitability is a necessity so that the company's shares remain attractive to investors. Investors overview a company by looking at financial ratios as an investment evaluation tool, because financial ratios reflect the high and low values of the company. If investors want to see how much the company produces a return on the investment they invest, what will they see first is profitability, especially ROE, because it measures how effectively the company produces returns for investors. Profitability is the level of net profit that the company can achieve when carrying out its operations. The benefits that are worth sharing with shareholders are profits after interest and taxes. The greater the profit gained, the greater the company's ability to pay dividends.

The Effect Capital Structure on Company Value

A company can be said to have good corporate value if it has debt that is smaller than equity. Equity can be increased by increasing the company's share by providing signals or information to investors that the company has a good performance, so that investors are interested in investing in the company. Investors tend to invest their capital in companies that have good quality. If investors invest in a company, the company's equity will increase and will have an impact on the increasing the company value. It can be concluded that the higher the value of capital structure, the higher the value of the company. In accordance with signaling theory, a company must present complete, relevant, and accurate information about the company's capital structure because the information is needed by investors in making investment decisions that can affect company value. And in the end it affects the achievement of goals to maximize shareholder welfare.

The Effect of Institutional Ownership on Company Value

Share ownership by institutional investors is one of the factors that can be considered in investing because with the institutional ownership, a company has good corporate value. Company image is what the investors view regarding the quality and performance of a company. With a good image, the company can be said to have good performance and will have an impact on the quality of the company and can increase the value of the

company. Institutional ownership can oversee all company activities by utilizing information held by institutions so that the company has good performance. It can be concluded that the higher the institutional ownership, higher the company value. This is in accordance with the agency theory that describes relationships that occur between the shareholders or institutional ownership (principals) and management (agents) in corporate decision making that can affect the value of the company.

The Effect of Managerial Ownership on Company Value

Managerial share ownership is one of the factors that can be considered in investing because with the managerial ownership, a company has good corporate value. Company image is what the investors view regarding the quality and performance of a company. With a good image, the company can be said to have good performance and will have an impact on the company quality and can increase their company value.

Managerial ownership can oversee all company internal activities directly so that the company has good quality and performance. It can be concluded that the higher the managerial ownership, the higher the value of the company. It is in accordance with the agency theory that the relationships that occur between the shareholders (principals) and managerial ownership (agents) in corporate decision making can affect the value of the company.

The Effect of Profitability on Company Value

Profitability is one of the measurements used by investors to determine whether a company is healthy or not, thus profitability is one of the attractions for investors to invest in a company. If profitability is high, the value of the company will also be high, whereas if the profitability is low, the value of the company will also be low. Profitability is closely related to company sales. Consumers tend to use a product or service produced or provided by a good or reputable company, so, in this regard, company value is very important. Company with a good image can generate high sales and will have an impact on high profitability, followed by a high value of the company. It is in accordance with signaling theory that a company must present complete, relevant, and accurate information about the profitability of the company because the information is needed

by investors in making investment decisions that can affect the value of the company.

Research Hypothesis

- H₁: Capital Structure (Debt to Equity Ratio/ DER) has an effect on Company Value.
 H₂: Institutional Ownership has an effect on Company Value.
 H₃: Managerial Ownership has an effect on Company Value.
 H₄: Profitability (Return on Equity / ROE) has an effect on Company Value.

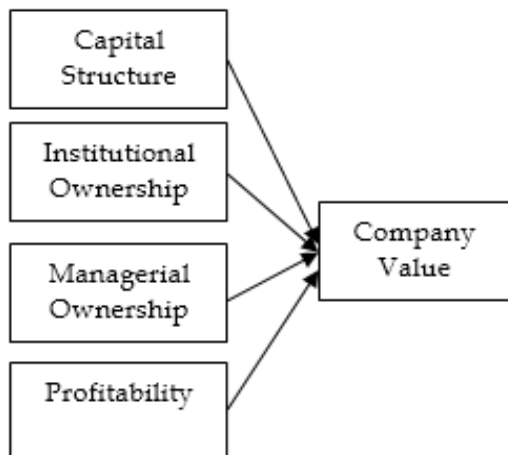


Figure 1
Framework

3. RESEARCH METHOD

This research is a quantitative research with hypothesis testing to find out the relationship between two or more variables (Sugiyono, 2010: 100). Research hypothesis testing is a testing that explains a statement that needs to be proven. Research hypothesis testing was done using causal research. Causal research is research that states that a dependent variable is influenced by independent variables. The dimension of research time used is the time specified. This can be seen from the data used in this study, that is, various industrial sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2014-2017.

This research involves only one object that is, manufacturing companies listed on the Indonesia Stock Exchange (IDX) period 2014-2017. It used a purposive sampling method. The research is included in a descriptive statistical analysis, classic assumption test, and hypothesis test. The hypothesis test was done using multiple linear regression analysis. The data were collected from the official website of the Indonesia Stock Exchange (IDX), www.idx.co.id. The dependent variable is Company

Value (Price to Book Value / PBV), while the independent variables are Capital Structure (Debt to Equity Ratio / DER), Institutional Ownership (IO), Managerial Ownership (MO), and Profitability (Return on Equity / ROE).

Company Value (PBV)

Price to Book Value (PBV) is one measurement that can be used to measure company value. This calculation can be used by investors to find out the market value of a company's stock (Brigham & Houston, 2012: 151). Price to Book Value (PBV) used in this study refers to research conducted by I Nyoman Agus Suwardika and I Ketut Mustanda (2017) with the following formula:

$$PBV = \frac{\text{Price per Share}}{\text{Book Value per Share}} \times 100\%$$

Capital Structure (DER)

Debt to Equity Ratio (DER) is a tool used to find out the corporate funds which are used as collateral for liabilities (Kasmir, 2013: 158). The Debt to Equity Ratio (DER) used in this study refers to research conducted by I Nyoman Agus Suwardika and I Ketut Mustanda (2017) with the following formula:

$$DER = \frac{\text{Total Debt}}{\text{Total Capital}} \times 100\%$$

Institutional Ownership (IO)

The institutional ownership used in this study refers to the research conducted by Ni Putu Wida P. D. and I Wayan Suartana (2014) with the following formula:

$$IO = \frac{\text{Share Ownership by Institution}}{\text{Outstanding share}} \times 100\%$$

Managerial Ownership (MO)

Managerial ownership is a share ownership by management who actively participates in corporate decision making (Alfinur, 2015). The managerial ownership used in this study refers to the research conducted by Ni Putu Wida P. D. and I Wayan Suwartana (2014) with the following formula:

$$MO = \frac{\text{Share ownership by management}}{\text{Outstanding Share}} \times 100\%$$

Profitability (ROE)

Return on Equity (ROE) is one of ratios that can show how much the rate of return on investment with the use of corporate capital (Brigham & Houston, 2012: 149). The Return on Equity (ROE) used in this study refers to the research conducted by Zuhria Hasania, Sri Murni, and Yunita Mandagie (2016) with the following formula:

$$\text{ROE} = \frac{\text{Net Income after Tax}}{\text{Company Equity}}$$

The study used population from manufacturing companies listed on the Indonesia Stock Exchange (IDX) period 2014-2017. The sampling technique used is purposive sampling method, while the sample used is various industrial sector manufacturing companies listed on the Indonesia Stock Exchange period 2014-2017 that meet the following criteria: 1) the companies publish complete financial statements that have been audited and end on December 31 (end of the period), 2) the companies publish financial statements in Indonesian Rupiah (IDR) currency, 3) the companies do not experience deslisting during the observation period.

The data were collected that is quantitative data using secondary data. Quantitative data is a type of data that can be measured and calculated directly and in the form of information or explanations expressed in numbers. Secondary data is a source of data that does not directly provide data to data collectors (Sugiyono, 2010: 53). Secondary data used in this study is obtained from the official website of the Indonesia Stock Exchange (IDX): www.idx.co.id. The independent variables used are Capital Structure (Debt to Equity Ratio / DER), Institutional Ownership (IO), Managerial Ownership (MO), and Profitability (Return on Equity / ROE), while the dependent variable used is Company Value (Price to Book Value / PBV)).

Data Analysis Technique

Data that are ready to be processed were then tested using several statistical test tools: Descriptive Analysis Method and Classical Assumption Test Method.

4. DATA ANALYSIS AND DISCUSSION

Based on Table 1, it can be seen that the minimum value of 0.13512 was owned by PT. Indospring Tbk in 2017, while the maximum value of 1,22968 was owned by PT. Kabelindo

Table 1
Descriptive Analysis

	N	Min.	Max.	Mean	Std. Deviation
CAPITAL STRUCTURE (DER)	48	0.13512	1.22968	0.6294548	0.28488910
INSTITUTIONAL OWNERSHIP	48	0.29399	0.88108	0.6603963	0.15131331
MANAGERIAL OWNERSHIP	48	0.00000	1.69533	0.0427542	0.02517551
PROFITABILITY (ROE)	48	0.00063	1.69533	0.0898495	0.07326270

Source: Processed data

Table 2
One Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	48
Asymp. Sig. (2-tailed)	0.060

Source: Processed data

Table 3
Heteroscedasticity Test

Variable	Significance
Capital Structure (DER)	0.330
Institutional Ownership	0.304
Managerial Ownership	0.205
Profitability (ROE)	0.302

Source: Processed data

Table 4
Autocorrelation Test

Model	Durbin Watson
1	2.321

Source: Processed data

Table 5
Multicollinearity Test

Variable	Tolerance	VIF
Capital Structure (DER)	0.648	1.543
Institutional Ownership	0.974	1.027
Managerial Ownership	0.683	1.465
Profitability (ROE)	0.946	1.058

Source: Processed data

Table 6
Regression Coefficients

Result		
	B	Std. Error
Constant	0.645	0.486
Capital Structure (DER)	0.091	0.401
Institutional Ownership	0.032	0.616
Managerial Ownership	-0.316	0.202
Profitability (ROE)	6.183	1.290

Source: Processed data

Table 7
Coefficient of Determination Test

Result				
Model	R	R ²	Adjusted R ²	Std. error for the Estimate
1	0.621	0.385	0.328	0.63010739

Source: Processed data

Table 8
T Test

Result			
	B	T	Sign.
Capital Structure (DER)	0.091	0.227	0.822
Institutional Ownership	0.032	0.052	0.959
Managerial Ownership	-0.316	-1.565	0.125
Profitability (ROE)	6.183	4.793	0.000

Source: Processed data

Murni Tbk in 2014. The minimum value occurred because the total value of liabilities owned by PT. Indospring Tbk was lower than the total equity value owned by the company.

The capital structure (DER) in this study has a mean value of 0.6294548, with the standard deviation value of 0.28488910. Comparison between the mean value and the standard deviation value produces homogeneous data, where the mean value is higher than the standard deviation value. The

result of the comparison shows that the capital structure (DER) has a low deviation rate, where the smaller the standard deviation value, the smaller the variation in research data. Based on Table 1, it can be seen that the minimum value of 0.293999 was owned by PT Nusantara Inti Corpora Tbk in 2017, while the maximum value of 0.88108 was owned by PT. Indospring Tbk in 2017. The minimum value occurred because the number of institutional shares owned by PT. Nusantara Inti Corpora Tbk was lower than

the number of institutional shares owned by other various industrial sector manufacturing companies.

Institutional ownership has a mean value of 0.6603963, with the standard deviation value of 0.15131331. The comparison between the mean value and the standard value of deviation produces homogeneous data, where the mean value is higher than the standard deviation value. The result of this comparison shows that institutional ownership has a low deviation rate, where the smaller the standard deviation value, the smaller the variation in research data. Based on Table 1, it can be seen that the minimum value of 0.00000 was owned by PT. Nusantara Inti Corpora Tbk for four years of research, while the maximum value of 1.69533 was owned by PT. Nippres Tbk in 2016. The minimum value occurred because the number of managerial shares owned by PT. Nusantara Inti Corpora Tbk was lower than the number of managerial shares owned by other various industrial sector manufacturing companies.

Managerial ownership has a mean value of 0.0427542, with the standard deviation value of 0.02517551. The comparison between the mean value and the standard deviation value produces homogeneous data, where the mean value is higher than the standard deviation value. The result of this comparisons shows that managerial ownership has a low deviation rate, where the smaller the standard deviation value, the smaller the variation in research data. Based on Table 1, it can be seen that the minimum value of 0.00063 was owned by PT. Star Petrochem Tbk in 2015, while the maximum value of 0.27908 was owned by PT. Supreme Cable Manufacturing Corporation Tbk in 2016. The minimum value occurred because the level of ROE owned by PT. Star Petrochem Tbk is lower than the level of ROE owned by other various industrial sector manufacturing companies.

Profitability (ROE) in has the mean value of 0.0898495, with the standard deviation value of 0.07326270. Comparison between the mean value and the standard deviation value produces homogeneous data, where the mean value is higher than the standard deviation value. The result of this comparisons shows that profitability (ROE) has a low deviation rate, where the smaller the standard deviation value, the smaller the variation in research data.

Based on Table 2, the results of the normality test, after removing outlier data,

indicate that the sample tested (N) is 48 samples with the Asymp. Sig. (2-tailed) value of 0.060 and significance level of $0.060 > 0.05$. So it can be concluded that the residuals are normally distributed in the normality test.

Based on Table 3, the results of heteroscedasticity test, using the glejser test, indicate that there is no variable that has a significance value of < 0.05 , with the significance level of > 0.05 . So it can be concluded that the regression model does not indicate heterocedasticity.

Based on Table 4, the results of the autocorrelation test, using the Durbin Watson test, show that the value of Durbin Watson is 2,231. Based on the applicable provisions regarding the detection of positive autocorrelation: if $DW > DU$, then there is no autocorrelation. The value obtained in this study is $2.321 > 1.7206$. So it can be concluded that the regression model is free from autocorrelation.

Based on Table 5, the results of the multicollinearity test show that the tolerance value of each variable is > 0.1 , with a VIF value of < 10 . Based on the applicable provisions, if the tolerance value is > 0.1 , or VIF value is < 10 , there is no multicollinearity between independent variables. So it can be concluded that the regression model is free from multicollinearity and there is no linear relationship between the independent variables in the regression model.

Based on Table 6, the multiple linear regression equation above can be explained as follows:

The constant (a) value of 0.645 indicates that the independent variable is considered constant or the company value is 0.645. The DER regression coefficient (X1) value of 0.091 indicates that the other variables are considered constant, so each addition of one unit of DER will add a company value of 0.091. Institutional ownership (X2) regression coefficient value of 0.032 indicates that the other variables are considered constant (fixed), so each addition of one unit of institutional ownership will add a company value of 0.032. Managerial ownership (X3) regression coefficient value of -0.316 indicates that other variables are considered constant, so each addition of one unit of managerial ownership will reduce the value of the company by 0.316. ROE (X4) regression coefficient value of 6.183 indicates that other variables are considered constant, so each addition of one unit of ROE will increase the value of the company by 6.183. "e" is the

interrupting variable outside of the variables of DER, institutional ownership, managerial ownership and ROE.

Based on Table 7, the result of the coefficient of determination test (R^2) shows that the value of coefficient of determination (R^2) is 0.328 or equivalent to 32.8%. Based on the provisions, if the coefficient of determination value is close to 1 (one), the independent variable can explain the variable strongly. So it can be concluded that DER, institutional ownership, managerial ownership, and ROE affect the company value by 32.8%. While the rest ($100\% - 32.8\% = 67.2\%$) is explained by other variables or other factors outside the research.

Based on Table 8, it can be explained as follows:

Capital Structure (DER)

The variable of DER has a t value of 0.227 with a significance value of 0.822 and B value with a positive value of 0.091. So DER has no significant effect on company value. Based on the provisions, it can be concluded that H_0 is accepted and H_1 is rejected. DER has no effect on company value.

Institutional Ownership

The variable of institutional ownership has a t value of 0.052 with a significance value of 0.959 and B with a positive value of 0.032. So institutional ownership has no significant effect on company value. Based on the conditions, it can be concluded that H_0 is accepted and H_2 is rejected. Institutional ownership has no effect on company value.

Managerial Ownership

The variable of managerial ownership has a t-value of -1.565 with a significance value of 0.125 and B with a negative value of 0.316. So managerial ownership has no significant effect on company value. Based on the provisions, it can be concluded that H_0 is accepted and H_3 is rejected. Managerial ownership has no effect on company value.

Profitability (ROE)

The variable of profitability (ROE) has a t-value of 4.793 with a significance value of 0.000 and B with a positive value of 6.183. So ROE has a significant effect on company value. Based on the provisions, it can be concluded that H_0 is rejected and H_4 is accepted. Profitability (ROE) has an effect on company value

Discussion

This study aims to explain the results of research based on statistical theories that have been tested using Statistical Package for Social Sciences (SPSS) to determine whether the variables of Debt to Equity Ratio (DER), institutional ownership, managerial ownership, and Return on Equity (ROE) have an effect on company value. The results of the study can be seen based on hypothesis testing (t test) which states that the variables of Debt to Equity Ratio (DER), institutional ownership, managerial ownership have no effect on company value, while the variable of Return on Equity (ROE) has an effect on company value.

The Effect of Capital Structure (DER) on Company Value

Debt to Equity Ratio (DER) is the ratio of total liabilities and total equity to find out the total funds provided by creditors for the company. From the creditor's point of view, if a company has a high liability, it is considered unprofitable because of the high risk of failure. Conversely, from a company's point of view, the high level of liability is better (Kasmir, 2013: 158). The risk that can be obtained from the high level of failure is that it can result in a lack of investor interest in investing in the company and this can affect the value of the company.

Debt to Equity Ratio (DER) has no effect on company value because it cannot influence investors to invest in a company. Debt to Equity Ratio (DER) is a small part of the company so it has no significant effect on investors. The company value can be influenced by factors other than Debt to Equity Ratio (DER), one of which is that many companies have high liabilities and result in low company value. However, there are some companies with low liabilities but have high company value. These inconsistent results can be caused by unstable economic movements occurred in Indonesia

The Effect of Institutional Ownership on Company Value

According to Alfinur (2015), institutional ownership is the founder or majority shareholder in a company (Alfinur, 2015). Institutional ownership has a role as a supervisor who can see whether management controls run effectively or not. A high value of institutional ownership can lead to strict supervision by the institution over all company activities so that it can minimize the occurrence of fraud by management.

Institutional ownership has no effect company value because it cannot influence investors to invest in a company. The value owned by the company can be influenced by factors other than institutional ownership, one of which is that if institutional ownership in a company is high, the company value is also high. But in this study, companies with high institutional ownership have low company value, so that this can be contrary to theory and institutional ownership which are considered to have small influence on company value.

The Effect of Managerial Ownership on Company Value

According to Alfinur (2015), managerial ownership is the share ownership by management who actively participates in corporate decision making. With managerial ownership, investors and management have an equal position. Management, as an internal party of the company feels they have more responsibility for the company's performance so that it can increase the value of the company. The value of the company can increase the response of investors to invest their capital in the company and this can provide a good signal of investment decisions.

Managerial ownership has no effect on company value because it cannot influence investors to invest in a company. The company value can be influenced by factors other than managerial ownership, one of which is that if managerial ownership in a company is high, the company value is also high. In this study, however, companies with high managerial ownership have low corporate value, so that this can be contrary to the theory and managerial ownership which are considered to have small influence on the company value.

The Effect of Profitability (ROE) on Company Value

Return on Equity (ROE) is a ratio between net income after tax and total equity. Companies with high net income after tax and total equity will produce a high ROE value and can be said to be a good or healthy company. This is inseparable from the existence of company performance and good internal party management. A company can be said to be a good company if it has a good name or a good image. With a good name or good image, the customers or consumers believe in the quality possessed by the company, which in turn can

attract investors to invest in the company.

Return on Equity (ROE) has an effect on company value because the high sales can affect investors to invest in a company. However, this is inseparable from the existence of a good name or good image of the company so that consumers are confident and believe in the quality possessed by the company. Consumers tend to use a product or service from a company that has good quality and good image, so company value is very important. If a company has a good image, it can generate high sales and will have an impact on the high ROE and followed by a high value of the company.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aimed to find out the effect of capital structure (Debt to Equity Ratio/ DER), institutional ownership, managerial ownership, and profitability (Return on Equity/ ROE) on company value. This study uses secondary data derived from the Indonesia Stock Exchange (IDX) period 2014-2017. The independent variables used in this study are capital structure (Debt to Equity Ratio / DER), institutional ownership, managerial ownership, and profitability (Return on Equity / ROE), while the dependent variable used in this study is company value. The sampling technique used in this study is purposive sampling method. The data analysis technique used in this study is multiple linear regression analysis using SPSS 23.

Based on the testing of four hypotheses carried out using multiple linear regression analysis, it can be concluded that capital structure (Debt to Equity Ratio/ DER), institutional ownership, managerial ownership have no effect on company value, but the variable of profitability (Return on Equity / ROE) has an effect on company value.

There are several limitations in this study, such as this study only uses four independent variables that are still lacking in assessing the company, and in addition, there are several companies that do not include or disclose the number of managerial shares completely so that the companies cannot be used as research sample.

Based on the results, conclusions, and limitations of the study, it is suggested that further research add other variables outside of the independent variables that have been studied in order to find out other factors that can affect company value. Further research

is also expected to be able to choose research samples from other sectors so that the range of research is wider and varied. In addition, further research is also expected to expand the research population by not only using data from the Indonesia Stock Exchange, but also using data from the Foreign Stock Exchange.

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